



# GINOSKO DEVELOPMENT COMPANY

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Ginosko Development Company  
Amin A. Irving, President

August 30, 2007

Ms. Mary Levine, Acting Director of Legal Affairs  
Michigan State Housing Development Authority  
735 E. Michigan Ave.  
Lansing MI 48909

Re: Draft Qualified Allocation Plan

Dear Ms. Levine:

As a developer of affordable housing in Michigan, Ginosko Development Company (GDC) is deeply concerned by the draft Qualified Allocation Plan (QAP) released by the Michigan State Housing Development Authority (MSHDA). Since 2002, our company has developed 1,125 units of affordable housing using the low-income housing tax credit program. We have always taken great pride in our mission and in our ability to partner with MSHDA to meet the housing needs of Michigan's low-income households.

After reading the draft QAP, I believe that the motives behind the substantial changes are very admirable. Coming from a childhood that experienced housing displacement and homelessness, I too am passionate about providing housing for those most in need. That being said I do believe that the draft QAP requires amending to meet both the needs of the people being served as well as those who desire to be a servant. Starting on .....

- Page 9, a December 27<sup>th</sup> Application Due Date seems unrealistic given it falls right in the middle of the holiday season. Should you not accept the Michigan Housing Councils recommendation to proceed with an earlier funding round under the current QAP, I would suggest pushing the Application Due Date into 2008. Preferably the middle of January.
- On page 10, why 2 applications per funding round? If we are going to keep the people we are serving in mind, I would hope that MSHDA would consider ANY deal that makes sense. As a for-profit developer, we should not be limited to two deals if we have a third or fourth deal that is just as good if not better than competing proposals. We recommend keeping the current 5 deal limit in place.
- After looking at the Holdbacks beginning on page 11, I can't help but ask how your Market Review Analyst, or my Third Party Market Analyst will approve a lot of the deals set aside for 65% of the Tax Credits (DHHP and PDCs)? For Example, Highland Park.
  - A Highland Park deal may score well, however with a declining population, lack of stable employment, and a City that is bankrupt, how is Dave going to approve this? Will soft seconds be provided by MSHDA to compensate?
- It looks to me that only 95% of the tax credit will be allocated, what happened to the remaining 5% and what will it be used for? I suggest at least an explanation in the QAP as to how the remaining 5% will be distributed.
- Given that 10% of all units now must serve supportive housing tenants, I am concerned that control has shifted to the Supportive service providers. Now they can dictate cost, who they provide services too, and who they sign MOU's with-without any restrictions in the QAP. If

- supportive services are to be a part of every development, I suggest there be limits as to the fees a Non-Profit or Service Provider can charge for their services, just like there are cap's on Construction Management and Developers Fees.
  - In a project I did in Ohio, there was a \$50,000 matching requirement over the 15 year compliance period. I believe this is plenty.
- Given the additional work needed to submit an application that may or may not be funded, the draft QAP's suggestions to decrease the developers fee on projects greater than 50 units. I personally recommend Developers fees be increased to \$1.5 million. Usually when additionally responsibilities are given to someone, a corresponding pay increase occurs. At least that is how I pay my attorney's and staff. Another suggestion would be to defer fees for ALL for-profit entities rather than just non-profits or for-profit subsidiaries of non-profits.
- The 60 day waiting period isn't consistent with the federally mandated Next Available Unit rule. This has the potential to affect break even operation thresholds, lease-up schedules and possibly recapture of tax credits. I suggest utilizing the Next Available Unit Standards for supportive housing tenants.
- I also recommend Environmental Studies be valid for 12 months rather than six. The likelihood of significant environmental changes within a six month period is very slim, and if there was an issue, odds are it would be rectified prior to permanent loan closing.
- The draft QAP states that MSHDA has the right to require a buffer for sites that are deemed to be unacceptable, I recommend stating within the QAP what sites are either deemed acceptable, or what sites are deemed unacceptable. And referring to the site selection criteria for a 4% deal might be all that is needed. However, once you've done that, you have now limited the lots in Detroit.
- For the 8609 Documentation on page 27 under #5, I would suggest amending the language to state "Copy of executed and recorded permanent mortgage and other permanent financing sources OR a firm financing commitment signed by the lender and owner within 30 days of request." This is consistent with other States and the allowance of 8609's prior to perm loan closing.
- Also on page 27, I recommend adding a #11 stating that "A check for Compliance Monitoring Fees must be included". This is consistent with the compliance monitoring language at bottom of page 28 and the top of page 29.
- I'm not sure I understand the logic behind the owner retaining 5-50% interest in the partnership on page 27. As a for-profit owner/developer I am very interested in the ongoing performance of the property as I am personally liable for any recapture of tax credits. That alone is incentive enough. I'd like to leave it up to my accountant to deal with my tax situation.
- On page 28, I would like to know what is the official definition of a Sponsor is? Is it an individual, a company, or both?
  - If it's an individual, it should say "person"
  - If it's a company, it should say "sponsoring entity"
  - If it's both, it should say "an entity or related party affiliate of another sponsoring applicant"

All in all we do agree with the motives behind the changes to the Draft QAP. We believe, however, the draft QAP intentionally pits community against community, homeless advocates against affordable housing advocates, and for-profit developers against non-profit developers for these scarce federal resources. As the state allocating agency, we recognize MSHDA plays a pivotal role in the allocation process and in the preparation of the QAP. We also recognize that MSHDA's role as the allocating agency carries with it the responsibility to develop a consensus within the affordable housing community regarding the use of housing credits. As currently drafted, the QAP is a divisive, unworkable plan that should be not adopted by the MSHDA Board or approved by the Governor without substantial revisions.

Without these and other suggested changes by the development community, I believe the exodus of economic activity will rapidly increase to other States. This is not what any of us want for the State of Michigan. I know that as MSHDA and the development community work together, we can become the major catalyst that spurs economic growth in Michigan, but not with how the draft QAP stands today. Thank you.

Sincerely,  
 Amin Irving  
 President, Ginosko Development Company